

70 Years of Service ...



from times of Chaos ...



... to Stability



The Early Years

Facts and Figures

Annual information from the
mid-to-late 1800s

1850s

705

Pounds of butter produced
in California

150

Pounds of cheese produced
in California

40

First recorded planted acres of
alfalfa in California (along
the Yuba River near Marysville)

1860s

210,000

Dairy cows in California

\$50.31

Average cost of a dairy cow

1870s

1,000

Number of dairies in the state
averaging 20-100 cows per dairy

\$500

Cost of first milking machine

\$30

Dairy worker salary per month

1880s

10,000

Cows it took to produce
enough milk for
San Francisco consumers

1890s

\$8-\$12

Per ton price of alfalfa

Serving the Dairy Industry for 70 Years... from Times of Chaos to Stability...

There has been concern over the years regarding the role of government in agriculture, i.e., too much or too little. Looking back 70 years, the Department's Dairy Marketing Branch (then known as the Bureau of Milk Stabilization) was originated, at the request of the California dairy industry, to establish minimum prices for fluid milk and cream which distributors had to pay dairy producers. This first mandate to set/regulate the minimum price began the state government's role in California's dairy industry. This historical act, the *Young Act*, closely followed by the *Desmond Act*, was the beginning of the Dairy Marketing Branch's 70 years of service to: 1) maintain an adequate and continuous supply of pure and wholesome fluid milk to consumers at fair and reasonable prices; 2) eliminate speculation, waste, and unfair and destructive trade practices; and 3) promote, foster and encourage intelligent production and orderly marketing, and to maintain a reasonable amount of stability and prosperity in the dairy industry.

This document gives a brief look at the California dairy industry over 70 years ago, and today (including a few statistical comparisons between the mid-1800s and today).

Setting the Stage ... The Dairy Industry in California, prior to 1930:

With the arrival of Americans in California in the 1850s, the "family"

cow started a new revolution in dairying. This cows serviced the family's needs for milk, butter, and cheese and the ability to sell the surplus for income. At this time, the family milking cows averaged 12 quarts per day which could sell for 50¢/quart. Hay at that time was \$80/ton, grain meal was \$8/cwt. and potatoes were fed at \$4/cwt. (averaging \$50 feed cost per cow per month). Settlers found that the milk and arid climate was perfect for small farm dairying as animals could stay out in the elements year-round.



Most of the family cows were Jersey breeds. By the 1880s, the Holstein-Friesian was the leading dairy breed in the state, giving more milk and was larger and stronger than the smaller Jerseys.



By this time, there were 210,000 dairy cows in the state with the central valley having the largest number. In 1850, records reflect 705 pounds of butter and 150 pounds of cheese were produced in California, however, only 30 years later, production jumped to 16 million pounds of butter and 3.7 million

pounds of cheese. Even though many dairies had the newly invented “hand operated cream separator,” which enabled them to separate the cream from the milk before transporting to the creameries, by the late 1800s, all creameries in the state had motor-driven cream separators, saving time and money in the processing of milk. Also at this time, many dairies were experimenting with using the new



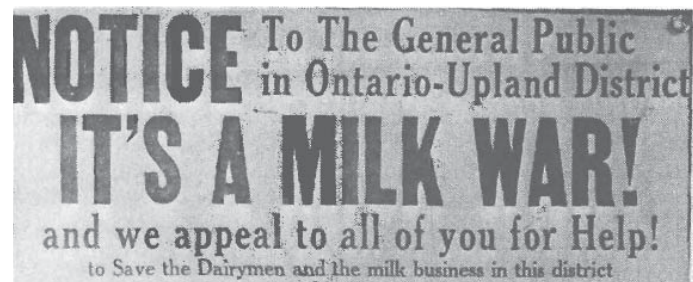
“milking machines” at a cost of about \$500 for machines with three units.

Prior to 1930, alfalfa was considered a miracle plant because when fed to dairy cows it did not give the milk an unpleasant taste as did the current feed of cabbage, turnips, beets, and grasses. Alfalfa was also a hearty crop and thrived when irrigated. By the early 1900s, small dairies were everywhere and the issue of cleanliness and sanitation came about after state officials found numerous impurities in the milk. They found that even though the perception of milk what this is was pure because of its whitish color, the milk could carry bacteria causing a variety of disease, namely, tuberculosis, diphtheria, scarlet fever, typhoid, and sore throat. The California State Dairy Bureau began to inspect cows and recommended housing facilities for the dairy stock, thus the beginnings of state inspections of dairy facilities. Following the devastating foot-and-



mouth disease outbreak of the 1920's, the latter part of this decade found the fluid milk industry in California experiencing substantial growth, especially noticeable in Southern California, where many new producers had started dairy operations and established operations were expanding. Prices to producers were approximately 60¢ per pound of milk fat. At these prices, production tended to expand slightly ahead of demand and producers were relatively satisfied with conditions. With the population of Southern California rising rapidly, major distributors found their plants taxed to capacity to process and deliver their daily volumes. At this time, two-thirds of the daily milk volume was delivered to homes. Stores were just beginning to realize the potential of handling milk and were increasing their volume of milk on hand. The dairy industry was coasting right along until the effects of the Great Depression hit California in 1930. This depressed economic climate across the U.S. directly affected

the fluid milk industry as many workers were laid off completely or their incomes were reduced. With reduced salaries or no salary at all, milk purchases fell and fresh milk was one of the food items that was hardest hit. These decreased milk sales caused distributors to reduce



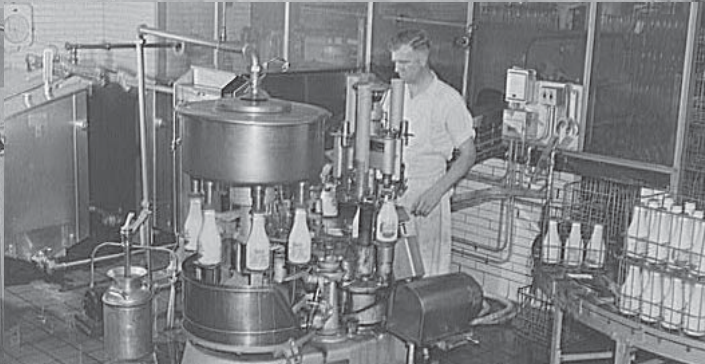
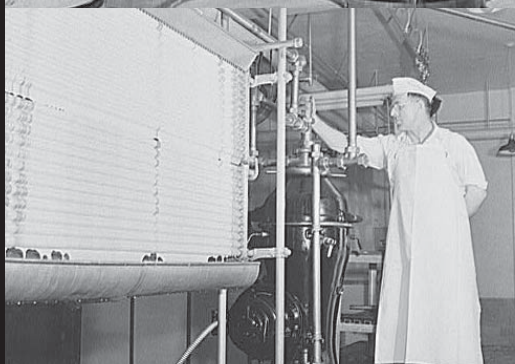
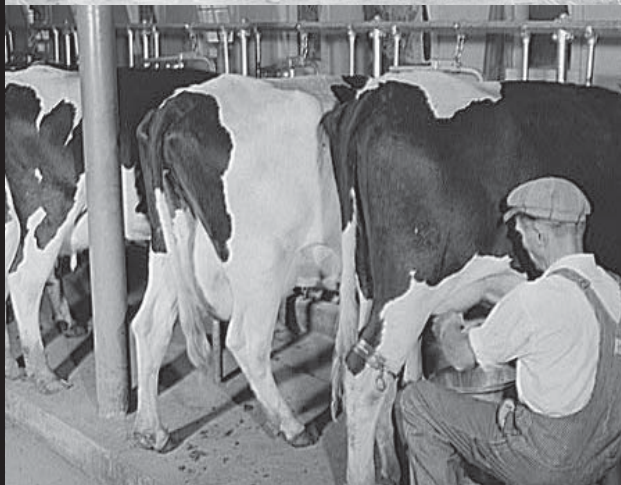
prices paid to producers and to step up sales efforts such as drastic price cutting on fresh milk and dairy products.

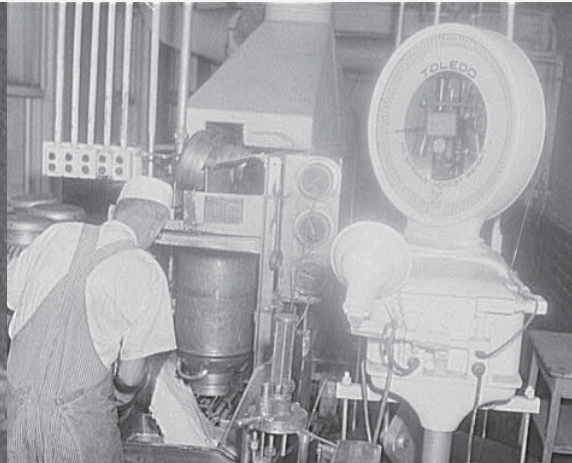
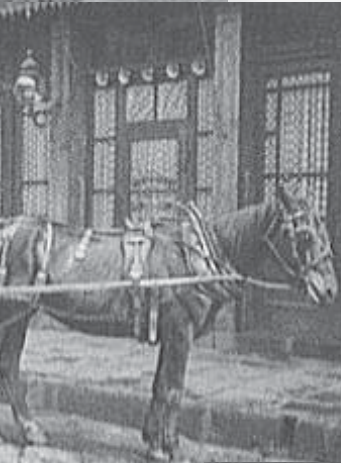
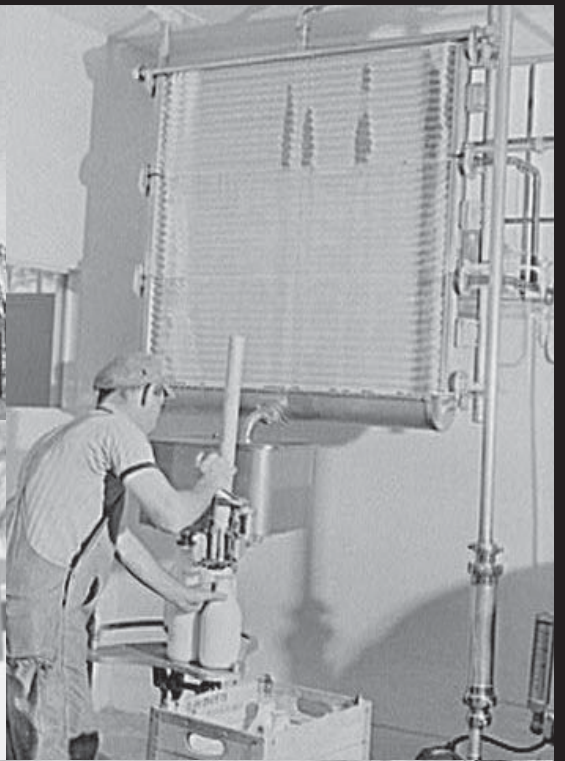
The Chaos ...

This scenario set the stage for “milk price wars” between distributors and producers. Many producers could not produce the milk at the offered lower price of 45¢-50¢ per pound and producers that



had milk quality problems had difficulty selling their milk at any price - the demand was simply not there. Producers were going out of business and in many instances selling their cows to expanding operations - especially those that had the idea of becoming producer-distributors, delivering to stores and homes. This only added to the chaos as the volume they were now handling only reduced sales by other producers and reduced the volume of distribution by established distributors. Price cutting was rampant throughout the State and in 1932, milk was reported being sold at 1¢ per quart. The chaotic conditions brought fear,





MILK TRUCKERS DO NOT !

PICK UP MILK AT FARMS WHERE THERE ARE CASES OF DIPHTHERIA

SCARLET FEVER
INFANTILE PARALYSIS
SPINAL MENINGITIS
SMALLPOX TYPHOID

Report all cases on your route to

FOOD and DRUG ADMINISTRATION
ROOM 111 CITY HALL
CLEVELAND, O., RA 4800



violence, and uncertainty to what was just a year earlier, a thriving dairy industry.

Bargaining Between Producers & Distributors ...

As the intensity of the chaos heightened, both producers and distributors asked the Governor for assistance who then turned to the California Department of Agriculture to help restore the industry to some sort of normalcy. This was at a time when there were no milk marketing laws or regulations in effect governing the dairy industry. The milk wars subsided as the Department worked with producers and distributors to develop a program providing a set price to producers (55¢/lb. milk fat) with a resale price of 8.5¢/quart to stores, and 11¢/quart for home delivery. This program became a model for the California milk market areas and



the beginning of regulating the dairy industry. However, it was not an end-all solution to the problems as many of the larger grocery stores and chain stores offered price reductions and discounts in violation of the set prices and the program had no legal authority to enforce compliance.

The Young Act ...

The federal government was working on milk pricing laws at this time and many felt that California could rely on these laws to regulate pricing, but after many hearings and deliberations and the federal government's refusal to allow California to become a federal order, it was determined that adopting



State laws was a better avenue for restoring the stability of the California dairy industry. This determination

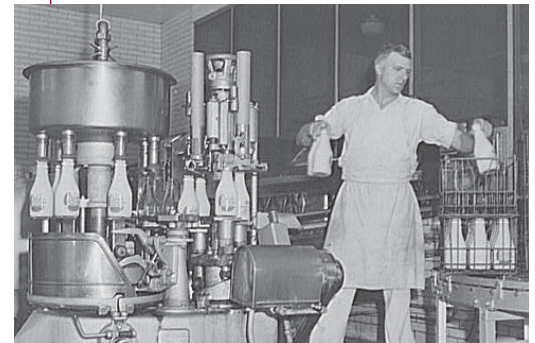
brought about the Young Act, adopted in 1935. Basically, the Young Act was designed to authorize the Department to establish minimum prices for fluid milk and cream which distributors must pay to producers, hopefully eliminating the continual friction between producers and distributors over prices paid to producers. Following the implementation of this Act, it became apparent that numerous amendments were needed to fine-tune the laws to

address various pricing issues still unresolved between producers and distributors. In 1937, the Desmond Act was passed that was intended to close all the loopholes and finally resolve the price war issues, particularly the price cutting and secret discounts/rebates among distributors and retail stores. The Desmond Act authorized the Department to establish minimum wholesale and retail prices for fluid milk and cream by marketing areas throughout the State. Secret rebates and price cutting at all levels was prohibited and all violations were now subject to penalties. Although this Act immediately put a stop to the price wars and brought reasonable stability to distribution of milk and

cream, some distributors tried to circumvent the law by discounting dairy products such as butter and ice cream - which led to later enactment of the unfair practice act for dairy products.

From Then to Now ...

With the milk wars over and the depressed economy beginning to heal, dairy producers began to rebuild and milk production and California's population were experiencing a growth spurt. The industry was deeply affected during World War II as many dairy producers and workers went off to war and



the volume of milk available for consumption fell drastically. There basically was not enough milk to keep up with the demand during this period. But the dairy industry recovered quickly following the war era and even though the number of dairies decreased drastically, the number of cows on each dairy grew tremendously, and milk production started to increase. One of the obstacles facing dairy producers was the wide divergence in the prices paid and the usage of milk by the milk processors, particularly those not in the Southern California marketing area. If a dairy producer could find a plant to ship milk to that was primarily processing fluid milk, it was a huge financial advantage. However, a producer who shipped their milk to a plant with low fluid milk usage would receive a lower price for their milk, creating the inequity in prices paid. This inequity in turn, encouraged producers to pay

processors huge sums of money for the right to ship their milk to them for the higher Class 1 price. In 1968, the Gonsalves Milk Pooling Act became law with the intent of formulating a pooling plan that would provide a more equitable apportionment of the fluid milk market.



balance between the supply of milk marketed and the market demand. Over the years, the Department's dairy policymakers have believed that this supply/demand balance in the marketplace plays the

most important role in determining appropriate price levels, thus these statistics are vital to the mission of the Dairy Marketing Branch. The mandates given the Department in the mid-1930's to help stabilize the economy of the dairy industry are still basically in place today, however as the dairy industry evolves and changes over time, the Dairy Marketing Branch Program will also adapt to changing times ahead as it continues to serve California's dairy industry.

Following the Milk Pooling Act of the late 1960s, the dairy industry in California was taking advantage of all the technological innovations of that time and growing in milk production dramatically. By the early 1990's, California became the number one milk producing state in the nation in 1993, producing 25 million pounds of milk in that year.

Dairy Marketing Branch Continues Efforts ...

For the past 70 years, the Dairy Marketing Branch has been carrying on these mandates of the Acts passed in the 1930's with the ultimate goal of honoring the original requests set forth by the California dairy industry, namely: 1) maintain an adequate and continuous supply of pure and wholesome fluid milk to consumers at fair and reasonable prices; 2) eliminate speculation, waste, and unfair and destructive trade practices; and 3) promote, foster and encourage intelligent production and orderly marketing, and to maintain a reasonable amount of stability and prosperity in the dairy industry. With the early establishment of the stabilization and marketing plans, the Dairy Marketing Branch was given the authority to require producers and processors to furnish information with regard to their production, sales, and usage of milk and dairy products. This statistical information provides the means to determine the

Over the years, there have been countless industry workshops and public hearings to amend the formulas and change marketing orders to stay in line with the mandates and laws. The following list touches briefly on a few of the milestones to the industry over the last 100 year period:

- Creation of the Bureau of Milk Stabilization (known today as the Dairy Marketing Branch)
- Passing of the Young Act and Desmond Act, establishing a means of regulating minimum producer prices - and establishing the Dairy Marketing Branch as the overseer of these policies
- Established the Dairy Council of California and the California Milk Advisory Board
- Passage of the Gonsalves Milk Pooling Act
- Requiring distributors and producers to enter into written contract for the purchase of milk
- Passage of the Dairy Products Unfair Practices Act

Today

Facts and Figures

Annual information from today's dairy industry

448.6 Million

Pounds of butter produced in California

2.2 Billion

Pounds of cheese produced in California

1.05 Million

Planted acres of alfalfa in California

1.7 Million

Dairy cows in California

\$1,800

Average cost of a dairy cow

1,974

Number of dairies in the state

\$2,100

Dairy worker salary per month

\$180-220

Per ton price of alfalfa



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